

Message Text

LIMITED OFFICIAL USE

PAGE 01 VIENNA 03999 01 OF 03 141925 Z

70

ACTION L-03

INFO OCT-01 EUR-25 ADP-00 JUSE-00 FTC-01 EB-11 COME-00

SS-15 NSC-10 CIAE-00 INR-10 NSAE-00 RSC-01 OMB-01

TRSE-00 XMB-07 PA-03 PRS-01 USIA-12 MC-02 DODE-00

PM-09 RSR-01 AID-20 IGA-02 ACDA-19 CEA-02 CIEP-02

OPIC-12 STR-08 /178 W

----- 057830

R 141553 Z MAY 73

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 8843

LIMITED OFFICIAL USE SECTION 1 OF 3 VIENNA 3999

E. O. 11652: N/A

TAGS: ETRA, AU

SUBJECT: ANTI- TRUST CASE U. S. V. IBM

REF: STATE 59913

1. SUMMARY: IBM RUNS TWO INDEPENDENT OFFICES IN AUSTRIA: ONE FOR THE LOCAL MARKET, THE OTHER FOR THE EASTERN EUROPEAN MARKET. BOTH FIRMS CONTRIBUTE HEAVILY TO U. S. EXPORTS. THE FIRM MARKETING IN AUSTRIA DOMINATES THE MARKET (ALMOST 70 PERCENT OF INSTALLED EDP EQUIPMENT IS IBM) AND SERVES TO RETAIN THE AMERICAN POSITION AND PRESTIGE IN THE EDP FIELD AGAINST EUROPEAN COMPETITORS. FRAGMENTATION OF IBM OPERATIONS COULD SERIOUSLY IMPAIR U. S. EXPORT PERFORMANCE AND GIVE AN ADVANTAGE TO LARGE BRITISH, GERMAN AND JAPANESE FIRMS. END SUMMARY

2. IBM OPERATES TWO SEPARATE ENTITIES IN AUSTRIA.

A. IBM OESTERREICH: INTERNATIONALE BUEROMASCHINEN GES. M. B. H. IS A LIMITED LIABILITY COMPANY RESPONSIBLE FOR THE AUSTRIAN MARKET ONLY. PAID- IN CAPITAL IS 120 MILLION AUSTRIAN SCHILLING.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 VIENNA 03999 01 OF 03 141925 Z

FIRM IS WHOLLY OWNED BY IBM WORLD TRADE CORP., N. Y.
 MANAGER IS GENERAL DIREKTOR LEOPOLD F. HANAU SCHAUMBURG.
 DIREKTOR IS DR. KARL HABERL. BOTH OF AUSTRIAN NATIONALITY.

B. IBM ROECE (REGIONAL OFFICE: EAST AND CENTRAL EUROPE)
 IS DIRECTLY- OWNED SUBSIDIARY IBM ROECE, INC., WILMINGTON,
 DEL. OFFICE HANDLES ACTIVITIES IN NON- MARKET ECONOMY COUNTIES.
 NO INFO ON CAPITALIZATION. OFFICERS ARE: JACQUES G. MAISONROUGE,
 BRONXVILLE, N. Y. (FRENCH NATIONAL), PRESIDENT; BERTRAM H. WITHOM,
 STAMFORD, CONN. (U. S. NATIONAL), VICE PRESIDENT; KLAUSE
 J. HENDRICKS, SCARSDALE, N. Y. (AUSTRIAN NATIONAL), TREASURER.

C. ALTHOUGH HOUSED IN SAME BUILDING, EACH FIRM OPERATES
 AS COMPLETELY SEPARATE ENTITY WITH LITTLE DIRECT INTERCHANGE.

3. PRINCIPAL COMPETITORS TO IBM IN AUSTRIA ARE HONEYWELL
 BULL (U. S.), UNIVAC (U. S.) AND SIEMENS (FRG).

MARKET SHARES IN 1972 (CPU):

	SHARE (BY NUMBER UNITS INSTALLED)	SHARE (BY VALUE)
IBM	57.02 PERCENT	67.96 PERCENT
HONEYWELL BULL	15.61 PERCENT	7.84 PERCENT
UNIVAC	11.65 PERCENT	12.07 PERCENT
SSS EMENS	7.68 PERCENT	8.70 PERCENT

4. CLEAR DATA ON COMPUTER AND PERIPHERAL TRADE NOT AVAILABLE
 PRIOR 1972 DUE TO INADEQUACY BTN CATEGORY DESCRIPTIONS.
 DATA FOR 1972 THEREFORE NOT COMPARABLE TO PREVIOUS YEARS.

A. 1972:

	IMPORTS (ALL) (\$1,000)	IMPORTS (U. S.) (\$1,000)	EXPORTS (ALL) (\$1,000)
1. CALCULATING MACHINES MACHINES (8452-20)	12,066	770	202
2. OTHER MACHINES WITH CALCULATING DEVICES (8452-80)	1,243	164	141
3. CENTRAL EDP UNITS, NOT OPERATED BY PUNCH CARDS (8453-10)	661	74	103
4. OTHER AUTOMATIC EDP MACHINES, PERIPHERALS LIMITED OFFICIAL USE	40,299	6,079	8,517

LIMITED OFFICIAL USE

PAGE 03 VIENNA 03999 01 OF 03 141925 Z

MEMORIES, ETC. (8453-90)
 5. PARTS & ACCESSORIES
 (8455-00)

10,863 3,239 3,494

B. 1971:

1. CALCULATING MACHINES 12,550 836 105

(8453-20)

2. OTHER MACHINES WITH 1,120 142 59
CALCULATING DEVICES

(8453-80)

3. STATISTICAL MACHINERY 10,500 1,290 209
& AUXILIARY EQUIPMENT

(8453-00)

4. OTHER BUSINESS 13,590 3,245 2,650
MACHINES (8454-80)

5. PARTS AND ACCESSORIES 7,250 2,550 2,700

LIMITED OFFICIAL USE

NMAFVVZCZ

ADP000

LIMITED OFFICIAL USE

PAGE 01 VIENNA 03999 02 OF 03 141950 Z

70

ACTION L-03

INFO OCT-01 EUR-25 ADP-00 JUSE-00 FTC-01 EB-11 COME-00

SS-15 NSC-10 CIAE-00 INR-10 NSAE-00 RSC-01 OMB-01

TRSE-00 XMB-07 PA-03 PRS-01 USIA-12 MC-02 DODE-00

PM-09 RSR-01 AID-20 IGA-02 ACDA-19 CEA-02 CIEP-02

OPIC-12 STR-08 /178 W

----- 057999

R 141553 Z MAY 73

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 8844

LIMITED OFFICIAL USE SECTION 2 OF 3 VIENNA 3999

IMPORTS IMPORTS EXPORTS
(ALL) (U. S.) (ALL)

C. 1970:

1.	10,167	910	244
2.	849	48	27
3.	9,560	1,557	235
4.	10,462	2,437	206
5.	5,564	1,274	1,646

D. 1969:

1.	11,546	416	217
2.	359	51	31
3.	4,894	917	681
4.	9,510	1,138	122
5.	3,485	610	1,039

E. 1968:

1.	8,628	500	123
2.	598	236	19
3.	7,850	1,702	1,304
4.	7,128	865	98
5.	3,929	852	691

F. MAIN COUNTRIES OF ORIGIN:

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 VIENNA 03999 02 OF 03 141950 Z

1) 1972: 1. JAPAN 40 PERCENT, FRG 26 PERCENT, ITALY 16 PERCENT; 2. FRG 40 PERCENT, SWITZERLAND 16 PERCENT, HOLLAND 14 PERCENT; 3. FRG 56 PERCENT, ITALY 20 PERCENT; 4. FRG 52 PERCENT, U. S. 15 PERCENT, FRANCE 11 PERCENT, ITALY 8 PERCENT, UK 8 PERCENT; 5. FRG 39 PERCENT, U. S. 30 PERCENT, FRANCE 13 PERCENT

2) 1971: 1. FRG 42 PERCENT, JAPAN 18 PERCENT, ITALY 15 PERCENT, FRANCE 10 PERCENT; 2. FRG 69 PERCENT, US 13 PERCENT, SWITZERLAND 13 PERCENT; 3. FRG 49 PERCENT, ITALY 18 PERCENT, U. S. 12 PERCENT, UK 10 PERCENT, FRANCE 9 PERCENT; 4. FRG 33 PERCENT, FRANCE 28 PERCENT, U. S. 24 PERCENT; 5. FRG 40 PERCENT, U. S. 35 PERCENT FRANCE 12 PERCENT.

3) 1970: 1. FRG 41 PERCENT, ITALY 18 PERCENT, JAPAN 16 PERCENT; 2. FRG 64 PERCENT, ITALY 12 PERCENT, HOLLAND 10 PERCENT; 3. FRG 44 PERCENT, FRANCE 22 PERCENT, U. S. 16 PERCENT; 4. FRG 43 PERCENT, U. S. 23 PERCENT, FRANCE 21 PERCENT;

5. FRG 47 PERCENT, U. S. 23 PERCENT, FRANCE 13 PERCENT.

4) 1969: 1. FRG 51 PERCENT, FRANCE 20 PERCENT, ITALY 14 PERCENT; 2. FRG 64 PERCENT, U. S. 14 PERCENT, HOLLAND 11 PERCENT; 3. FRG 41 PERCENT, FRANCE 17 PERCENT, U. S. 19 PERCENT, UK 17 PERCENT; 4. FRG 42 PERCENT, FRANCE 29 PERCENT, U. S. 12 PERCENT, ITALY 7 PERCENT, UK 3 PERCENT; 5. FRG 49 PERCENT, U. S. 18 PERCENT, FRANCE 16 PERCENT.

5) 1968: 1. FRG 42 PERCENT, ITALY 22 PERCENT, FRANCE 20 PERCENT; 2. U. S. 40 PERCENT, FRG 32 PERCENT, HOLLAND 10 PERCENT; 3. FRANCE 34 PERCENT, FRG 23 PERCENT, U. S. 22 PERCENT, UK 7 PERCENT, ITALY 6 PERCENT; 4. FRG 36 PERCENT, FRANCE 35 PERCENT, U. S. 12 PERCENT, ITALY 8 PERCENT, UK 6 PERCENT; 5. FRG 51 PERCENT, U. S. 22 PERCENT, FRANCE 12 PERCENT.

G. MAIN EXPORT DESTINATIONS:

1) QOUWC 1. SWITZERLAND 37 PERCENT, FRG 28 PERCENT; 2 CZECHOSLOVAKIA 67 PERCENT, GDR 18 PERCENT; 3. ROMANIA 74 PERCENT; 4. FRG 40 PERCENT, UK 12 PERCENT, FRANCE 9 PERCENT, BRAZIL 6 PERCENT, SWEDEN 6 PERCENT, JAPAN 5 PERCENT; 5. FRG 74 PERCENT, PUERTO RICO 7 PERCENT, FRANCE 4 PERCENT.

2) 1971: 1. FRG 27 PERCENT, SEITZERLAND 26 PERCENT, POLAND 10 PERCENT, BELGUIM 10 PERCENT; 2. SWITZERLAND 43 PERCENT, CSSR 26 PERCENT; 3. FRG 37 PERCENT, CSSR 26 PERCENT, HUNGARY 15 PERCENT; 4. FRG 17 PERCENT, UK 27 PERCENT, CANADA LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 VIENNA 03999 02 OF 03 141950 Z

11 PERCENT, FRANCE 9 PERCENT; 5. FRG 67 PERCENT, SWITZERLAND
7 PERCENT, PUERTO RICO 7 PERCENT.

3) 1970: 1. FRG 33 PERCENT, SWITZERLAND 27 PERCENT,
ROMANIA 26 PERCENT; 2. FRG 61 PERCENT, YUGOSLAVIA 23 PERCENT;
3. CSSR 28 PERCENT, FRG 17 PERCENT; 4. FRG 22 PERCENT, ROMANIA
22 PERCENT; 5. FRG 72 PERCENT, PUERTO RICO 8 PERCENT.

4) 1969: 1. FRG 69 PERCENT, YUGOSLAVIA 10 PERCENT;
2. FRG 34 PERCENT, FINLAND 31 PERCENT; 3. YUGOSLAVIA 49
PERCENT, POLAND 23 PERCENT; 4. FRG 41 PERCENT, FRANCE 16
PERCENT; 5. FRG 74 PERCENT, UK 7 PERCENT.

5) 1968: 1. FRG 61 PERCENT, HUNGARY 9 PERCENT, PORTUGAL 9
PERCENT; 2. FRG 39 PERCENT, SWITZERLAND 33 PERCENT; 3. PRC
61 PERCENT, YUGOSLAVIA 7 PERCENT; 4. FRG 50 PERCENT, HUNGARY
15 PERCENT; 5. FRG 73 PERCENT, U. S. 11 PERCENT.

H. CPU' S NOT OPERATED BY PUNCH CARDS, IMPORTED SEPARATELY,
SUBJECT TO 5 PERCENT TARIFF, BUT NOT MORE THAT AS 1400 PER
KG. ALL OTHER DP EQUIPMENT (INCLUDING CPU' S IN COMPLETE
SYSTEMS) FREE. NO NTB' S.

LIMITED OFFICIAL USE
NMAFVVZCZ

ADP000
LIMITED OFFICIAL USE

PAGE 01 VIENNA 03999 03 OF 03 141932 Z

70
ACTION L-03

INFO OCT-01 EUR-25 ADP-00 JUSE-00 FTC-01 EB-11 COME-00

SS-15 NSC-10 CIAE-00 INR-10 NSAE-00 RSC-01 OMB-01

TRSE-00 XMB-07 PA-03 PRS-01 USIA-12 MC-02 DODE-00

PM-09 RSR-01 AID-20 IGA-02 ACDA-19 CEA-02 CIEP-02

OPIC-12 STR-08 /178 W
----- 057887

R 141553 Z MAY 73
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 8845

LIMITED OFFICIAL USE SECTION 3 OF 3 VIENNA 3999

5. AUSTRIAN GOVERNMENT BENEVOLENTLY NEUTRAL TOWARD COMPUTER

INDUSTRY. GOA RECOGNIZES LACK OF LOCAL TECHNOLOGY AND KNOW- HOW. EFFORTS TO ENCOURAGE INVESTMENT BY FOREIGN FIRMS IN PRODUCTION FACILITIES IN AUSTRIA HAVE NOT SUCCEEDED; ONLY POTTER INSTRUMENTS HAS PRODUCING UNIT HERE (FOR PERIPHERALS). OTHER LOCAL PRODUCTION IS NONEXISTENT. DUE TO LACK OF NATIVE KNOW- HOW GOVERNMENT PURCHASES HAVE FAVORED LARGE FIRMS, PARTICULARLY IBM, CAPABLE OF DELIVERING COMPLETE HARDWARE- SOFTWARE PACKAGES. LOCAL BUSINESS HAS BEGUN TO DEVELOP MORE INDEPENDENCE FROM PACKAGE DEALS AND GOVERNMENT CAN BE EXPECTED TO FOLLOW IN NEXT 5-10 YEARS.

6. THERE IS LITTLE LOCAL AWARENESS, ON EITHER GOVERNMENT OR PUBLIC LEVEL, OF ANTITRUST CASE AGAINST IBM. THE CASE HAS RECEIVED ONLY MINIMAL PRESS COVERAGE. THE CASE HAS HAD NO EFFECT ON LOCAL GOVERNMENT POLICY. THERE HAS BEEN NO CONSIDERATION OF LOCAL ANTITRUST ACTION AGAINST IBM.

7. PROBLEM OF BREAKUP OF IBM IN AUSTRIA IS COMPLICATED BY DUAL STRUCTURE IN AUSTRIA. EMBASSY DOES NOT HAVE DETAILED INFORMATION ON OPERATIONS OF IBM ROECE AND CANNOT MAKE ACCURATE ESTIMATE OF IMPACT

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 VIENNA 03999 03 OF 03 141932 Z

OF BREAKUP OF THIS UNIT. OUR EXPERIENCE INDICATES IBM ROECE IS ONE MOST ACTIVE U. S. EXPORTERS TO EASTERN EUROPEAN COUNTRIES AGAINST FIERCE COMPETITION FROM BRITISH, GERMAN AND JAPANESE COMPANIES. U. S. EXPORT EFFORTS IN EE WOULD BE INJURED BY FRAGMENTATION OF THIS OFFICE. IF ASSIGNED TO A SINGLE SUCCESSOR FIRM STILL ABLE TO PROVIDE THE FULL RANGE OF SERVICES, IBM ROECE COULD CONTINUE TO OPERATE EFFECTIVELY. WITHIN AUSTRIA, SIEMENS IS CURRENTLY DRIVING TO DEVELOP AN IMPORTANT MARKET POSITION AT THE EXPENSE OF THE NOW DOMINANT AMERICAN SUPPLIERS. SIEMENS IS ABLE TO DRAW ON TIES WITH SIEMENS AUSTRIA, CLOSE CONNECTIONS WITH THE NATIONALIZED INDUSTRIES, A COMMON LANGUAGE ADVANTAGE, AND FREE TRADE AREA ADVANTAGES TO PRESS ITS POSITION. THE LONG ESTABLISHED AN DOMINATING POSITION OF IBM OESTERREICH IS THE MAIN FACTOR IN COMBATING SIEMENS AND OTHER FOREIGN COMPETITORS. A GOOD CASE CAN BE MADE FOR ACCESSION OF IBM OESTERREICH TO A SINGLE SUCCESSOR STRONG ENOUGH TO COMPETE EFFECTIVELY WITH SIEMENS. DIVISION OF OPERATIONS AMONG SEVERAL SUCCESSORS WOULD FACILITATE SIEMENS' EFFORTS TO REACH A DOMINANT POSITION. EMBASSY HAS NO DETAILED INFORMATION ON THE WORKING INTER-RELATIONS OF THE TWO IBM ENTITIES, BUT IT APPEARS THAT THEIR COOPERATION LIMITED TO A FEW ADMINISTRATIVE AREAS.

8. IBM ROECE DOES NOT SELL ON THE AUSTRIAN MARKET AND IS THEREFORE NOT SUBJECT TO THE AUSTRIAN CARTEL LAW. IBM OESTERREICH IS REGISTERED UNDER THE CARTEL LAW AS A MARKET DOMINATING FIRM. IT PAYS AN ANNUAL FEE OF AS 200 (ABOUT \$10) FOR THIS

REGISTRATION. IBM CANNOT BE FINED OR SUED FOR DAMAGES UNLESS IT IS FIRST SHOWN TO HAVE ABUSED ITS MARKET DOMINATING POSITION TO EARN EXCESSIVE PROFITS. THERE HAS BEEN NO SUCH ACTION. THE EMBASSY HAS NO INDICATION THAT ANY FIRM OR INDIVIDUAL CONTEMPLATES SUCH ACTION.

9. THERE HAVE BEEN RECENT EFFORTS TO BUILD A FRENCH- GERMAN- BRITISH COMPUTER FIRM TO COMPETE WITH IBM WORLDWIDE. IF SUCH EFFORTS ARE SUCCESSFUL, FRAGMENTATION OF IBM WOULD ONLY SERVE TO THE DISADVANTAGE OF THE U. S. IN A HIGHLY COMPETITIVE EXPORT FIELD. THIS EFFECT WOULD BE STRENGTHENED IN AUSTRIA BY THE FREE TRADE AREA AGREEMENT WITH THE EC.

LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 VIENNA 03999 03 OF 03 141932 Z

10. ALL INFORMATION MAY BE MADE A PART OF THE PUBLIC RECORD. FURTHER INFORMATION IS IN THE EMBASSY' S CERP 5681-5682 (BUSINESS MACHINES) FOR RECENT YEARS.
MOWINCKEL

LIMITED OFFICIAL USE
NMAFVVZCZ

*** Current Handling Restrictions *** n/a
*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973VIENNA03999
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730544/aaaajeol.tel
Line Count: 357
Locator: TEXT ON-LINE
Office: ACTION L
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 STATE 59913
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 07 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Sep-2001 by cunninfx>; APPROVED <29-Oct-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980212
Subject: ANTI-TRUST CASE U.S. V. IBM
TAGS: OTRA, AU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005